

# ECONOMIC PREVIEW



Week of August 14, 2017

## Indicator/Action Economics Survey:

## Last Actual:

## Regions' View:

<b>Fed Funds Rate: Target Range Midpoint</b> <i>(After the September 19-20 FOMC meeting):</i> Target Range Midpoint: 1.125 to 1.125 percent Median Target Range Midpoint: 1.125 percent		1.125%	In our preview of the July FOMC meeting, we noted the meeting itself would be pretty much of a non-event but the minutes to the meeting should make for some interesting reading. Well, we're about to find out, as the minutes will be released Wednesday (8/16, 2:00 EST). Okay, sure, so the minutes may not prove to be a spine tingling heart racing page turning thriller, but they should at least provide insight into the debate within the FOMC on what's behind the recent deceleration in inflation and just how concerned members are with the ongoing easing in financial conditions. Wow, our pulse rate is already accelerating. Come on, admit it, yours is too.
<b>July Retail Sales</b> Range: 0.1 to 0.5 percent Median: 0.4 percent	Tuesday, 8/15	Jun = -0.2%	<p><u>Up</u> by 0.4 percent. There are two things we know with certainty about July retail sales. First, the July retail sales data will not fully capture the volume of online sales that took place on July 11. Second, July 11 was <i>Amazon Prime Day</i>. Still, in yet another instance of hope triumphing over experience, we've built in a hefty increase in online sales, which is a key factor in our forecasts for headline and control retail sales. To be sure, to the extent <i>Prime Day</i> prompted a spike in online sales, that will have displaced at least some spending through other channels, but whether, and to what extent, any of these effects are captured in the July retail sales data remains to be seen, and whatever numbers we see this week will likely be revised significantly over coming months. As such, our forecast is more in keeping with the numbers we think we'll ultimately see as opposed to the numbers we think we'll see this week.</p> <p>In what should be a decent but by no means great report, motor vehicle sales will be a neutral factor and gasoline should again be a drag on top-line sales, with mixed results across other categories. While downward pressure on core goods prices is abating, we nonetheless think the retail sales data, which are not adjusted for price changes, will continue to be biased lower by price effects.</p>
<b>July Retail Sales: Ex-Auto</b> Range: 0.2 to 0.5 percent Median: 0.3 percent	Tuesday, 8/15	Jun = -0.2%	<u>Up</u> by 0.4 percent.
<b>July Retail Sales: Control Group</b> Range: 0.2 to 0.6 percent Median: 0.4 percent	Tuesday, 8/15	Jun = -0.1%	<u>Up</u> by 0.6 percent. Control retail sales are a direct input into the GDP data on consumer spending. While our forecast anticipates a hefty increase in control sales in July, this nonetheless translates into a soft start for growth in Q3 consumer spending, thanks to Q2 ending on a weak note as June control sales dipped below the quarterly average. The tone of the Q3 spending data will improve as the quarter progresses, but for Q3 as a whole growth in real consumer spending will fall short of Q2 growth.
<b>June Business Inventories</b> Range: 0.2 to 0.5 percent Median: 0.4 percent	Tuesday, 8/15	May = +0.3%	Total business <u>inventories</u> were <u>up</u> by 0.4 percent, while total business <u>sales</u> were <u>up</u> by 0.2 percent.
<b>July Housing Permits</b> Range: 1.215 to 1.280 million units Median: 1.250 million units SAAR	Wednesday, 8/16	Jun = 1.275 million units SAAR	<u>Up</u> to an annualized rate of 1.279 million units, reflecting a sizeable increase in single family permits (aided by a friendly seasonal adjustment factor) and multi-family permits settling back after June's outsized increase. On a not seasonally adjusted basis, we look for 116,400 total permits, which would leave the running 12-month total at 1.261 million units, the highest since March 2008.
<b>July Housing Starts</b> Range: 1.178 to 1.250 million units Median: 1.220 million units SAAR	Wednesday, 8/16	Jun = 1.215 million units SAAR	<u>Down</u> to an annualized rate of 1.202 million units. We look for an increase in single family starts to be more than offset by a decline in multi-family starts, dragging total starts lower. On a not seasonally adjusted basis, we look for total starts of 114,200 units, which would put the running 12-month total at 1.195 million units. The beneath the headlines number we'll be most interested in is multi-family completions, to assess how much progress (very little, we suspect) has been made clearing a multi-family construction backlog that is larger than at any time since the mid-1970s.
<b>July Industrial Production</b> Range: 0.1 to 0.4 percent Median: 0.3 percent	Thursday, 8/17	Jun = +0.4%	<u>Up</u> by 0.3 percent, with higher output across the board in the manufacturing, mining, and utilities sectors. Our forecast would leave total industrial production up 2.2 percent, year-on-year, with manufacturing output up 1.3 percent.
<b>July Capacity Utilization Rate</b> Range: 76.6 to 76.9 percent Median: 76.7 percent	Thursday, 8/17	Jun = 76.6%	<u>Up</u> to 76.8 percent.
<b>July Leading Economic Index</b> Range: 0.1 to 0.4 percent Median: 0.3 percent	Thursday, 8/17	Jun = +0.6%	<u>Up</u> by 0.3 percent.

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